

State of South Dakota

EIGHTY-FIRST SESSION
LEGISLATIVE ASSEMBLY, 2006

400M0334

HOUSE BILL NO. 1027

Introduced by: The Committee on Commerce at the request of the Unemployment Insurance
Advisory Council

1 FOR AN ACT ENTITLED, An Act to change the unemployment insurance wage base and
2 contribution rates and to assess interest on negative employer accounts under certain
3 circumstances.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 Section 1. That § 61-1-35 be amended to read as follows:

6 61-1-35. As used in this title, ~~unless the context otherwise plainly requires, prior to January~~
7 ~~1, 1978, the term "wages" does not include that part of remuneration which, after remuneration~~
8 ~~equal to four thousand two hundred dollars has been paid in a calendar year to an individual by~~
9 ~~an employer or his predecessor with respect to employment during any calendar year, is paid to~~
10 ~~such individual by such employer during such calendar year unless that part of the remuneration~~
11 ~~is subject to a tax under a federal law imposing a tax against which credit may be taken for~~
12 ~~contributions required to be paid into a state unemployment fund. From January 1, 1978, to~~
13 ~~December 31, 1982, the term "wages" does not include that part of remuneration which, after~~
14 ~~remuneration equal to six thousand dollars has been paid in a calendar year to an individual by~~
15 ~~an employer or his predecessor with respect to employment during any calendar year, is paid to~~



~~such individual by such employer during such calendar year unless that part of the remuneration is subject to a tax under a federal law imposing a tax against which credit may be taken for contributions required to be paid into a state unemployment fund. From January 1, 1983, and thereafter, the term "wages" does not include remuneration of more than seven thousand dollars paid in a calendar year to an individual employee by his employer, or the employer's predecessor, for employment during that calendar year, unless additional remuneration is subject to a federal law which imposes a tax against which credit may be taken for contributions required to be paid into a state unemployment fund.~~ the term, wages, means remuneration paid in a calendar year to an employee by an employer or the employer's predecessor for employment during any calendar year. The term includes remuneration in addition to the wages defined in this section which are subject to a federal law imposing a tax against which credit may be taken for contributions required to be paid into a state unemployment fund.

The term, wages, does not include remuneration of more than:

- (1) Seven thousand dollars, from January 1, 1983, to December 31, 2006, inclusive; and
- (2) Eight thousand five hundred dollars, from January 1, 2007 to December 31, 2007, inclusive.

For calendar year 2008 and each calendar year thereafter, the term does not include remuneration of more than the amount defined as wages for the prior calendar year plus the percentage increase in the average annual wage in covered employment in South Dakota for the fiscal year preceding the calendar year. The amount so determined shall be rounded to the nearest one hundred dollars.

In this section, the term, "employment", includes service constituting employment under any unemployment compensation law of another state.

For the purposes of this section, the average annual wage in covered employment in South

Dakota is computed by dividing the sum of the total wages in covered employment, as reported to the department for the preceding fiscal year, by the average number of workers in covered employment and rounded to the nearest cent.

Section 2. That § 61-5-18.14 be amended to read as follows:

61-5-18.14. The employer's reserve ratio for calendar year 1993 ~~and thereafter~~ to calendar year 2006, inclusive, shall be the result obtained by dividing the balance of credits existing in the employer's experience-rating account by the total taxable payroll of the employer for the preceding three calendar years.

Column "A"	Column "B"
Contribution Rate	Reserve Ratio
7.00%	Less than -7.00%
6.50%	-7.00% and Less than -6.50%
6.00%	-6.50% and Less than -6.00%
5.50%	-6.00% and Less than -5.50%
5.00%	-5.50% and Less than -5.00%
4.50%	-5.00% and Less than -4.50%
4.00%	-4.50% and Less than -4.00%
3.50%	-4.00% and Less than -3.50%
3.00%	-3.50% and Less than -3.00%
2.50%	-3.00% and Less than -2.50%
2.00%	-2.50% and Less than -2.00%
1.80%	-2.00% and Less than -1.50%
1.60%	-1.50% and Less than -1.00%
1.40%	-1.00% and Less than -0.50%
1.20%	-0.50% and Less than 0.00%
1.00%	0.00% and Less than 0.20%
0.90%	0.20% and Less than 0.40%

1	0.80%	0.40% and Less than 0.60%
2	0.70%	0.60% and Less than 0.80%
3	0.60%	0.80% and Less than 1.00%
4	0.50%	1.00% and Less than 1.20%
5	0.40%	1.20% and Less than 1.30%
6	0.30%	1.30% and Less than 1.40%
7	0.20%	1.40% and Less than 1.50%
8	0.10%	1.50% and Less than 1.60%
9	0.00%	1.60% and Over

10 The contribution rates provided in this section apply to and are retroactive to taxable wages
11 paid on and after January 1, 1993.

12 Section 3. That chapter 61-5 be amended by adding thereto a NEW SECTION to read as
13 follows:

14 The employer's reserve ratio for calendar year 2007 and thereafter shall be the result
15 obtained by dividing the balance of credits existing in the employer's experience-rating account
16 by the total taxable payroll of the employer for the preceding three calendar years.

17	Column "A"	Column "B"
18	Contribution Rate	Reserve Ratio
19	8.50%	Less than -7.00%
20	8.00%	-7.00% and Less than -6.50%
21	7.50%	-6.50% and Less than -6.00%
22	7.00%	-6.00% and Less than -5.50%
23	6.50%	-5.50% and Less than -5.00%
24	6.00%	-5.00% and Less than -4.50%
25	5.50%	-4.50% and Less than -4.00%
26	5.00%	-4.00% and Less than -3.50%
27	4.50%	-3.50% and Less than -3.00%

1	4.00%	-3.00% and Less than -2.50%
2	3.50%	-2.50% and Less than -2.00%
3	3.00%	-2.00% and Less than -1.50%
4	2.50%	-1.50% and Less than -1.00%
5	2.00%	-1.00% and Less than -0.50%
6	1.50%	-0.50% and Less than 0.00%
7	1.00%	0.00% and Less than 0.20%
8	0.90%	0.20% and Less than 0.40%
9	0.80%	0.40% and Less than 0.60%
10	0.70%	0.60% and Less than 0.80%
11	0.60%	0.80% and Less than 1.00%
12	0.50%	1.00% and Less than 1.20%
13	0.40%	1.20% and Less than 1.30%
14	0.30%	1.30% and Less than 1.40%
15	0.20%	1.40% and Less than 1.50%
16	0.10%	1.50% and Less than 1.60%
17	0.00%	1.60% and Over

18 Section 4. That chapter 61-5 be amended by adding thereto a NEW SECTION to read as
19 follows:

20 Any employer whose experience rating account, as determined pursuant to § 61-5-18, has
21 a negative reserve shall, in addition to the contribution rate, pay interest on the negative balance
22 in the employer's experience rating account, excluding any negative balance existing on
23 December 31, 2006. Following December 31, 2008, and each year thereafter, the department
24 shall determine the interest due and owing on each negative balance account. Interest shall be
25 owed only if the employer had a negative account balance on the computation date used for the
26 annual interest calculation and a negative account balance on the ending date of each of the
27 seven preceding calendar quarters. The interest rate shall be the average of the quarterly interest

1 rates paid by the United States Treasury on unemployment insurance trust fund reserves in the
2 calendar year ending on the interest calculation date. The interest rate so determined will be
3 applied to the amount by which the negative account increased from December 31, 2006, or
4 from the date the employer became subject to this title if later, to the computation date used for
5 the interest calculation date for the year. Interest due and owing shall be paid in equal quarterly
6 payments during the year following the computation date, with each payment due on the last day
7 of each quarter. The computation date and experience rating account balance used to determine
8 contribution rates shall be used in the application of this section. No payments may be credited
9 to the experience rating account of the employer. The terms and conditions of this title which
10 apply to the payment and collection of contributions also apply to the payment and collection
11 of the negative account interest assessments.

12 Section 5. That § 61-5-23 be amended to read as follows:

13 61-5-23. If on the last day of any calendar quarter, the amount in the unemployment
14 compensation fund, as established by § 61-4-1, including amounts receivable as federal
15 reimbursements due the state for shareable benefit payments, is less than any amount appearing
16 in Column A below, then all employers' rates shall be increased by the amount appearing in
17 Column B opposite the lowest amount in Column A under which the fund has been reduced:

18	Column A	Column B
19	Balance in Fund	Rates
20	\$11,000,000	.1 %
21	10,500,000	.2 %
22	10,000,000	.3 %
23	9,500,000	.4 %
24	9,000,000	.5 %
25	8,500,000	.6 %

1	8,000,000	.7 %
2	7,500,000	.8 %
3	7,000,000	.9 %
4	6,500,000	1.0 %
5	6,000,000	1.25%
6	5,500,000	1.5 %

7 The increased contribution rates apply to taxable wages paid on and after the first day of the
8 immediately following calendar quarter. The rates shall remain in effect until the balance in the
9 unemployment fund on the last day of any quarter is equal to or greater than one hundred fifty
10 percent of the highest amount appearing in Column A. The increased rate shall be one-tenth of
11 one percent if the balance in the fund is one hundred percent or more but less than one hundred
12 fifty percent of the highest amount appearing in Column A. However under no circumstances
13 may any employer be required to pay contributions at a rate including the adjustment percentage,
14 of more than ten and one-half percent. However, the increased contribution rates do not apply
15 to wages paid from July 1, 2006, to June 30, 2009, inclusive, unless the amount in the fund at
16 the end of any quarter in that period is two million dollars or less.